

Report to Council

Subject: Efficiency Strategy 2016-2021

Date: 14 September 2016

Author: Deputy Chief Executive and Director of Finance

1. Purpose

- 1.1 To request approval of the Council's Efficiency Strategy 2016-2021 to enable acceptance of the Government's multi-year settlement offer.

2 Background

- 2.1 Local Government has borne the largest share of cuts in central government funding to the public sector since 2010. The scale of the reduction, along with a degree of volatility and uncertainty around the phasing/timing of these cuts, makes it difficult for authorities to plan their spending priorities strategically. During these times the need for effective medium term planning has never been stronger but the system of annual grant settlement announcements make this more difficult.
- 2.2 In response to the strategic planning concerns raised by the sector the Government has offered a four-year funding settlement for 2016/17 to 2019/20. This provides minimum funding allocations for each year of the spending review to any Council that wishes to take the offer up.
- 2.3 Members were informed at Budget Council on 7 March 2016 of the Government's intention to offer a multi-year settlement and it was recommended by the Chief Financial Officer that the offer be accepted subject to a review of any attached conditions. The only condition required by the Government is that the Council has a published efficiency plan/strategy, approval of which is the purpose of this report.
- 2.4 The minimum allocations of Revenue Support Grant covered by the offer were announced in February and were included in the Medium Term Financial Plan approved as part of the Gedling Plan report to Budget Council.
- 2.5 At Budget Council, Members also determined that the final decision regarding the acceptance of a four-year funding settlement be delegated to the CFO in consultation with the Portfolio Holder for Resources and Reputation. The deadline for acceptance of the offer is 14 October 2016.

- 2.6 In addition, as part of the local government settlement for 2016/17, Government announced greater flexibility for Councils in how they make use of capital receipts – the money received when an asset such as a building is sold. Councils currently are only allowed to spend such money on further capital projects. However, the Government has announced that Councils are to have greater flexibility as to how they spend this money for the years 2016/17 to 2018/19, enabling its use to deliver projects which transform services and deliver ongoing revenue savings. Government guidance recommends that a strategy be prepared and approved by Council, disclosing the individual projects that will be funded through capital receipt flexibility. The approach to capital receipt flexibility has been incorporated in the proposed efficiency strategy.

3. Proposal

- 3.1 The proposed Efficiency Strategy recommended for Member approval is attached at Appendix A.
- 3.2 The strategy identifies planned efficiencies and savings targets to be delivered over the period of the Medium Term Financial Plan (MTFP) and details three broad themes by which they will be delivered i.e. Income Generation, Contract Management and Efficiency and Effectiveness.
- 3.3 As set out in the Gedling Plan and MTFP 2016/17 to 2020/21, the Council has to deliver an estimated further £2.1m of savings over the next 5 years, with plans for delivery of £1m of that total already in place. Each directorate is developing further plans for the delivery of the remaining £1.1m which will change the way services are provided and deliver the budget reductions which are required to achieve a sustainable financial position.

4. Resource Implications

- 4.1 Approval of the efficiency strategy will enable acceptance of four-year settlement funding and ensure minimum grant allocations are secured which total £2.6m.
- 4.2 Implementation of the strategy will drive the delivery of the required £2.1m efficiency savings and ensure the achievement of a balanced budget and sustainable MTFP.

5. Recommendations

Council is asked to approve the Efficiency Strategy attached at Appendix A.

6. Appendices

Appendix A – Efficiency Strategy, Effective 1 April 2016.

GEDLING BOROUGH COUNCIL

EFFICIENCY STRATEGY – EFFECTIVE 1ST APRIL 2016

1. Purpose

- 1.1 This Strategy has been developed so that the Council can qualify for a 4-year funding settlement from Government and also potentially benefit from some flexibility in the use of capital receipts generated in the three years starting April 2016.
- 1.2 We believe a 4-year settlement is essential to the medium term financial stability of the Council although the 4-year settlement only relates to Revenue Support Grant which is a decreasing proportion of total Council funding.
- 1.3 It will, however, help us to plan our future budget strategy and what services will be delivered – this is essential for both the community and council employees, particularly in a period when resources are severely constrained by the protracted cuts to grant.
- 1.4 This Efficiency Strategy is a summary of appropriate sections of the Gedling Plan (incorporating the General Fund Revenue Budget) and the Medium Term Financial Plan 2016/17 to 2020/21, which identifies planned efficiencies and savings to be delivered, as approved by Council on 7th March 2016.
- 1.5 In line with available Government guidance, this Strategy includes three themes:
 - Our approach to delivering efficiencies to make £2.1m of savings over the 5 years of the Medium Term Financial Plan;
 - How new flexibilities in the use of capital receipts will be used;
 - Prudential indicators for 2016-2019 to ensure borrowing by the Council is affordable in the medium to long term.
- 1.6 This Strategy will be reviewed annually and updated with the progress made delivering each of these themes.

2. Delivering Efficiencies

2.1 Gedling Borough Council has a proven track record of delivering savings and efficiencies. Since 2010/11 the Council has delivered £4.3m savings including:

- In recent years the Council has significantly reduced its senior management structure;
- Transformed a number of service areas in response to a full organisational review and individual service reviews;
- Cut back-office costs as a result of numerous efficiency measures;
- Co-location with other partners e.g. DWP, CCG;
- Rationalised the asset base and sold surplus assets;
- Focus on economic growth resulting in growth in business rates and council tax base;
- Negotiated better prices on supplies and services contracts;
- Increased income generation.

2.2 As set out in the Gedling Plan and Medium Term Financial Plan 2016/17 to 2020/21, the Council has to deliver an estimated further £2.1m of savings over the next 5 years, with plans for delivery of £1m of that total already in place. Each directorate is developing further plans for the delivery of the remaining £1.1m which will change the way services are provided and deliver the budget reductions which are required to achieve a sustainable financial position.

2.3 The aim of the MTFP, from the outset of central government's austerity programme, has been to protect front line services that resident's value, and has therefore concentrated on the delivery of efficiency savings.

2.4 This Efficiency Strategy has evolved over time, but moving forward it will concentrate on the following three themes:

Theme 1: Income Generation

- (i) Maximising Income: Gathering intelligence on growth in business rates and council tax income through new businesses and increased house building. Greater focus on 'lost' income through proactive debt recovery action of amounts owed to the Council, including housing benefit overpayments. Full review of payment methods with a focus on upfront payments wherever possible.

- (ii) Fees & Charges Review: Examination of all discretionary fees and charges to determine an approach of a commercial charge, full cost recovery, or subsidised charge. This review will include the Council's concessions and discounts policy, impacts of inflation, and any intelligence gathered through benchmarking of services.
- (iii) Innovation/New Ideas: The adoption of an innovative approach that will enable the Council to consider robust business cases for new ideas to generate additional income for the Council. This may be achieved by any number of alternative service delivery models.

Theme 2: Contract Management

- (iv) Zero-Based Budgeting for Supplies and Services and Third Party Payments: Full review of all expenditure within the supplies and services and third party payments accounting structure to determine which contracts exist, and compare these to the contracts register.
- (v) Contracts Register: This will provide the intelligence of contracts that are in place, the renewal and/or extension dates, and the value of each contract.
- (vi) Effective Procurement: This will then enable a complete review of the Council's approach to procurement and joint procurement arrangements with neighbouring authorities. It will provide a better understanding of contract specifications and the contract monitoring arrangements that should be in place to effectively manage those contracts.

Theme 3: Efficiency & Effectiveness

- (vii) Service Efficiencies: Reductions in service budgets where the quality and/or outcomes from the service remain the same or even improve.
- (viii) New Ways of Working: Fundamental reviews of services including structures, methods of service delivery and process re-engineering/systems thinking models.
- (ix) Budget & Service Reductions: Reductions or cessation of service provision in response to budget reductions targets.
- (x) Demand Management: A review that looks at how and why customers access a service and focusses on the high volume

demand areas to look for improvements to the system and processes. It will look at the customer journey through the Council by assessing the communication channels that requests come into the Council e.g. by telephone, email, letter, face-to-face and streamlining the process to avoid 'failure' demand (demand created by the customer as a result of a failing to access a service/transaction at the first attempt).

- (xi) Asset Utilisation & Rationalisation: A land and property review of all assets held by the Council for operational and investment purposes, assessing the rates of return and investment requirements for backlog maintenance and repairs. This process to include all ICT systems and the Council's aims for channel shift to 'digital by default' systems and services.

Consideration of partnership working will be a feature across all themes and will be progressed if this can secure better outcomes for stakeholders.

3. Capital Receipt Flexibility

- 3.1 As part of the local government settlement for 2016/17, Government announced greater flexibility for Council's in how they make use of capital receipts – the money received when an asset such as a building is sold. Councils currently are only allowed to spend such money on further capital projects, however the Government has announced that Councils are to have greater flexibility as to how they spend this money for the years 2016/17 to 2018/19.
- 3.2 In 2016/17 it is not proposed to use this flexibility.

4. Prudential Indicators

- 4.1 The Treasury Management Policy and Strategy 2016/17 to 2018/19 sets out the Council's Prudential Indicators for this period.
- 4.2 These Indicators are designed to ensure that the Council's capital borrowing is affordable and does not place undue burden on the Council's revenue budget or Council tax payers (i.e. the cost of servicing the interest paid on capital borrowing). This report, alongside the General Fund Revenue Budget 2016/17 to 2020/21, forms part of the overall financial planning strategy which was approved at full Council on 7th March 2016.

5. Monitoring this Strategy

- 5.1 This Efficiency Strategy will be monitored throughout the financial year alongside our financial reporting arrangements. The Strategy may need to be updated and replaced as proposals are developed and expenditure incurred.